

## Message Text

SECRET

PAGE 01 ABU DH 02190 280742Z  
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
-----109810 280748Z /17/45

R 270950Z JUL 77

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 6433

INFO AMEMBASSY ALGIERS

USINT BAGHDAD

AMEMBASSY BONN

AMEMBASSY CAIRO

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

RUQMKWXAMEMBASSY KUWAIT 3410

AMEMBASSY SWAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TRIPOLI

AMEMBASSY TOKYO

AMEMBASSY VIENNA

S E C R E T ABU DHABI 2190

EXDIS

C O R R E C T E D C O P Y (TEXT)

EO 11652: GDS

TAGS: ENRG, TC

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SUBJ: OPEC PRICES IN 1978

REF: ABU DHABI 1674, ABU DHABI 1827, ABU DHABI 1963

1. SUMMARY: OIL MINISTER UTAYBA ANTICIPATES THAT ANOTHER  
OIL PRICE BATTLE WITHIN OPEC WILL START SOON ON WHAT 1978  
PRICES SHOULD BE. UAE SEEKING TO ENLIST VENEZUELA TO COM-

MIT ITSELF TO JOIN SAUDIS AND EMIRATES ON COMMON POSITION  
PRIOR TO NEXT OPEC MEETING IN CARACAS. END SUMMARY.

2. WHEN I MET WITH OIL MINISTER UTAYBA JULY 26, HE TOLD ME  
THAT HE BELIEVED BATTLE LINES WERE JUST BEGINNING TO BE FORMED  
FOR ANOTHER SHOWDOWN WITHIN OPEC OVER OIL PRICES FOR 1978.  
REVIEWING EVENTS SINCE OUR LAST TALKS ON JUNE 5 (REF A) AND  
JUNE 20 (REF B) PRIOR TO STOCKHOLM OPEC CONFERENCE, UTAYBA  
REITERATED THAT UAE AND SAUDI POSITION HAD BEEN NOT TO GO TO  
10 PERCENT UNLESS OTHER OPEC COUNTRIES ACCEPTED OIL PRICE  
FREEZE UNTIL END OF 1978. BUT WITH SAUDI-UAE INABILITY TO GET  
THIS KIND OF COMMITMENT, WITH JULY 1 DEADLINE APPROACH-  
ING FOR ANOTHER 5 PERCENT RISE BY NUMBER OF OTHER OPEC MEMBERS,  
WITH PROSPECT OF HAVING A THREE INSTEAD OF TWO TIERED PRICE  
SYSTEM, AND WITH CONTINUED PROBLEMS ARISING FOR UAE AND  
SAUDI IN POLICING THEIR SALES UNDER TWO TIER PRICE SYSTEM, DECISION  
WAS MADE WHEN HE AND YAMANI MET IN RIYADH ON JULY 2 (REF C) TO  
GIVE UP FOR TIME BEING ON TIME LIMIT. THUS, THERE WAS NO COMMIT-  
MENT BY OTHER OPEC COUNTRIES TO ANY PRICE LEVEL BEYOND 1977.

E. I EXPRESSED SOME SURPRISE AT UTAYBA'S COMMENT NOTING  
AMUZEGAR'S RECENT STATEMENT AT STOCKHOLM THAT IRAN WOULD  
NEED TO TAKE INTO ACCOUNT STATE OF WORLD ECONOMY AS WELL AS  
SUPPLY DEMAND SITUATION IN DECIDING ON PRICES IN 1978. I  
THOUGHT THIS WAS SUPPORTIVE OF SAUDI-UAE POSITION. UTAYBA  
TENDED TO DISMISS THIS SAYING THAT THERE HAD BEEN SEVERAL  
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ASSUAGING STATEMENTS BUT HE THOUGHT THE PRICE BATTLE WOULD START  
VERY SOON. THERE WOULD BE A SERIES OF BILATERAL MEETINGS  
AMONG OPEC COUNTRIES AFTER RAMADAN (ENDS MID-SEPTEMBER).  
MEANWHILE, HOWEVER, HE WAS TRAVELLING TO CARACAS END OF  
THIS MONTH TO DISCUSS PRICE STRATEGY WITH VENEZUELAN. UTAYBA  
SAID UAE AND SAUDIS WANTED TO BRING VENEZUELA ALONG THIS TIME  
BEFORE ANY PRICE CONFRONTATION DEVELOPS. AS HE HAD MENTIONED  
TO ME ON PREVIOUS OCCASIONS, HE THOUGH VENEZUELA'S LEADERS  
WERE AMONG THE MOST MODERATE OF OPEC COUNTRIES  
ON OIL PRICING ISSUES AND HE HOPED KIND OF CLOSE  
CONSULTATION THAT NOW EXISTS BETWEEN UAE AND SAUDIS  
COULD BE EXTENDED TO INCLUDE VENEZUELA. UTAYBA RE-  
MARKED PARENTHETICALLY THAT UAE EFFORTS TO EXTEND  
PRICE FREEZE DID NOT MEAN UAE AND SAUDIS WOULD  
ALWAYS OPPOSE FUTURE PRICE INCREASE. AS WORLD IN-  
FLATION CONTINUES FOR OTHER RAW MATERIALS AND IT BE-  
COMES A SCARCER COMMODITY, PRICE OF OIL BOUND TO  
RISE; BUT WHAT UAE WANTED TO AVOID WAS BIG JUMPS  
IN PRICES WHICH HE RECOGNIZED HAD DONE SO MUCH TO  
DISTURB WORLD ECONOMY.

4. UTAYBA ALSO MADE POINT THAT HE FEARED ANY SIGNIFI-

CANT PRICE CHANGE IN 1978 COULD UPSET DELEGATE POLITICAL  
ATMOSPHERE IN MIDDLE EAST. ALTHOUGH HE THOUGHT USG  
COULD DO MORE, PRESIDENT CARTER HAD BEEN FIRST US  
PRESIDENT TO TALK PUBLICLY ABOUT HOMELAND FOR PALES-  
TINIANS, ABOUT COMPENSATION FOR PALESTINIANS, ABOUT  
WITHDRAWAL FROM SPECIFIC OCCUPIED TERRITORIES, AND  
SECURITY ARRANGEMENTS FOR MIDDLE EAST. MODERATE  
ARAB STATES DID NOT WANT DAMAGE ARAB POLITICAL IMAGE  
AND COMPLICATE PRESIDENT'S EFFORTS AT THIS TIME TO GET  
A DIALOGUE STARTED TOWARD A PEACE SETTLEMENT.  
UTAHBA ALSO FELT THAT A PRICE INCREASE IN 1978 WOULD  
UNDERMINE ANY RENEWED EFFORT TO HAVE A DIALOGUE  
GOING AGAIN RESTRICTED TO MAJOR ENERGY IMPORTERS AND  
PRODUCERS, A PROPOSAL WHICH HE IS PERSONALLY TRYING  
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TO PROMOTE FOLLOWING WHAT HE FEELS ARE MEAGER RESULTS  
OF CIEC.

5. RE OPEC STOCKHOLM MEETING, HE DESCRIBED IT AS  
UNEXCITING. IT WAS GOOD CHANCE TO VISIT SEEDEN, "A  
BEAUTIFUL COUNTRY", AND HE WAS IMPRESSED BY THE SECURITY  
ARRANGEMENTS. THERE WERE 5,000 SECURITY PERSONNEL,  
HE SAID, AND THEY HAD PICKED UP TWO MEMBERS OF THE  
JAPANESE RED ARMY WHICH REMINDED EVERYONE THAT THESE  
CONFERENCES ARE STILL SUBJECT TO THREAT BY TERRORIST ELE-  
MENTS. HE CONFIRMED PUBLISHED REPORTS THAT IRAQ AND LIBYA  
HAD PROPOSED PRODUCTION PROGRAMMING BUT HE HAD SAID UAE  
COULD NOT SUPPORT SUCH A PLAN. HE HAD POINTED OUT THAT OIL  
BECOMING AN INCREASINGLY SCARCE COMMODITY WORLDWIDE,  
DESPITE TEMPORARY INCREASE BECAUSE OF ALASKA AND NORTH  
SEA, AND ISSUE WAS HOW TO DEAL WITH FUTURE WORLD SUPPLY  
SHORTAGE IN WAY THAT IT WILL NOT CREATE MAJOR ENERGY  
OR WORLD FINANCIAL CRISIS IN MID 1980'S.  
DICKMAN

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NNN

## Message Attributes

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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
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